

VZCZCXRO3612  
OO RUEHAG RUEHBI RUEHCI RUEHLH RUEHPW RUEHROV  
DE RUEHAA #0666/01 1480933

ZNY CCCCC ZZH

O 270933Z MAY 08

FM AMEMBASSY ASHGABAT

TO RUEHC/SECSTATE WASHDC IMMEDIATE 0863

INFO RUCNCLS/ALL SOUTH AND CENTRAL ASIA COLLECTIVE PRIORITY

RUCNCIS/CIS COLLECTIVE PRIORITY

RUCNMEM/EU MEMBER STATES COLLECTIVE PRIORITY

RUEHAD/AMEMBASSY ABU DHABI PRIORITY 0326

RUEHAK/AMEMBASSY ANKARA PRIORITY 3801

RUEHBJ/AMEMBASSY BEIJING PRIORITY 1619

RUEHKL/AMEMBASSY KUALA LUMPUR PRIORITY 0127

RUEHUL/AMEMBASSY SEOUL PRIORITY 0031

RUEHKO/AMEMBASSY TOKYO PRIORITY 1486

RUEHIT/AMCONSUL ISTANBUL PRIORITY 2055

RHMFISS/CDR USCENTCOM MACDILL AFB FL PRIORITY

RUEAAIA/CIA WASHDC PRIORITY

RUCPDOC/DEPT OF COMMERCE WASHDC PRIORITY

RHEBAAA/DEPT OF ENERGY WASHDC PRIORITY

RHEFDIA/DIA WASHDC PRIORITY

RUEKJCS/Joint STAFF WASHDC PRIORITY

RHEHNSC/NSC WASHDC PRIORITY

RUEKJCS/SECDEF WASHDC PRIORITY

RUEHBS/USEU BRUSSELS PRIORITY

RUEHVEN/USMISSION USOSCE PRIORITY 2545

C O N F I D E N T I A L SECTION 01 OF 03 ASHGABAT 000666

SIPDIS

STATE FOR SCA/CEN, EEB, E-U/S JEFFERY

PLEASE PASS TO USTDA DAN STEIN

ENERGY FOR EKIMOFF/THOMPSON

COMMERCE FOR HUEPER

USEU FOR AMBASSADOR GRAY

E.O. 12958: DECL: 05/27/2018

TAGS: PGOV PREL EPET AJ TX

SUBJECT: TURKMEN-AZERI JOINT CASPIAN EXPLOITATION: A WILL  
TO SUCCEED, BUT NOT THERE YET

REF: A. BAKU 0482

1B. ASHGABAT 0656

1C. ASHGABAT 0527

Classified By: CDA RICHARD E. HOAGLAND: 1.4 (B), (D)

11. (C) SUMMARY: During a readout of President Berdimuhamedov's May 19-20 visit to Baku, Hydrocarbon State Agency Director Muradov said:

-- the will exists in both Ashgabat and Baku for trans-Caspian transportation of Turkmenistan's natural gas through Azerbaijan to Europe, and for a bi-national commercial venture to exploit disputed mid-Caspian fields, leading to a pipeline, but the ownership of the Serdar/Kyapaz field remains the sticking point;

-- the issue for Azerbaijan is reportedly "political face" and President Aliyev's need to take into account public opinion;

-- the political will seems to exist on both sides to resolve this problem, but it will probably require agreement between the two presidents;

-- Turkmenistan, in Muradov's view, would welcome U.S. quiet diplomacy to bring the two sides together;

-- Turkmenistan and Azerbaijan will jointly host in September in Baku an International Gas and Oil Conference; and

-- Turkmenistan has structured its agreement with Canadian-Omani firm Buried Hill to exploit Serdar/Kyapaz so that at any time Turkmenistan can invite other firms to exploit the field. END SUMMARY.

¶2. (SBU) Following President Gurbanguly Berdimuhamedov's historic state visit to Baku May 19-20, Charge sought a readout on May 21 from Hydrocarbon State Agency Director Bayrammurad Muradov on the results of the negotiations to establish a joint business venture to exploit the disputed major gas fields in the Caspian: Serdar (Kyapaz) and Omar/Osman (ACG).

#### A QUESTION OF POLITICAL FACE

¶3. (C) Muradov prefaced his readout sardonically, "I just don't understand the Azeris. But then, I don't understand some on our side, either!" -- a possible reference to hard-line Deputy Prime Minister for Oil and Gas Tachberdi Tagiyev. Muradov said he had intensified contacts in Baku with SOCAR in April, and he felt they were making real progress. He was perplexed why Azeri Foreign Minister Elmar Mammadyarov, rather than the hydrocarbon experts, conducted the Caspian hydrocarbon negotiations during the Berdimuhamedov visit. But he answered his own question when he noted Mammadyarov had said the issue of joint exploitation in the Caspian is first and foremost political, rather than economic or technical. This echoes Berdimuhamedov's comment to Under Secretary Jeffery on April 21 (reftel C): "Solve the political issue first; then we work on the technical."

¶4. (C) The Turkmen position as Berdimuhamedov laid it out on April 21 is that Serdar is solely Turkman, but Omar/Osman can be discussed. During the May 19-20 negotiations in Baku, the

ASHGABAT 00000666 002 OF 003

Azeris reportedly offered to share Serdar, to which, according to Muradov, the Turkmen replied, "OK, we'll share Serdar, but then you have to share Omar/Osman." Muradov said he made clear Turkmenistan really wanted to steer clear of appearing to lay a claim to Omar/Osman because they do not want to disrupt the Azeri consortium already working there.

¶5. (C) According to Muradov, Mammadyarov said ceding Serdar to Turkmenistan would have "internal political consequences" for Azerbaijan. He reportedly added, "Your president (Berdimuhamedov) can impose unilateral decisions, but we have to pay attention to public opinion. President Aliyev cannot lose face." Muradov said he urged the Azeris to "think deeply about the strategic future" and help find a solution. He said he offered the Azeris that SOCAR would be welcome to apply to develop any Turkmen field of SOCAR's choice as compensation for Serdar. (COMMENT: We would welcome Embassy Baku's analysis of this "political face" position. We wonder if it might be related to the upcoming presidential election or, more remotely, to Nagorno-Karabakh and the question of national territory? END COMMENT.)

¶6. (C) When asked if the two president's might have discussed this issue one-on-one, Muradov said he wasn't sure. He said the only response from Aliyev he was aware of was, "We'll see," suggesting the door is open for further negotiation. At the same time, Muradov also commented, "All of this is really at the political level of the two presidents." He mused, "We need to understand them (the Azeris) better." When the Charge noted that both Azeris and Turkmen are "good bazaaris, good businessmen," Muradov replied, "They are, but we aren't yet," once again revealing Turkmen insecurity.

OVER ALL, UPBEAT

¶7. (C) Although the two sides are still stuck on Serdar, Muradov was quite positive, noting both sides "have a will to succeed." He judged it a good signal that the Azeris were "not nearly as aggressive as before." He said the Azeris made clear their desire for a Trans-Caspian or production pipeline to be able to transport Turkmen natural gas to Europe, which, Muradov said, is also Turkmenistan's desire. He said both sides agreed that this is an historic strategic

moment that should not be lost.

U.S. ROLE?

¶8. (C) When the Charge asked if there were any way the United States could be helpful, Muradov replied, "In my opinion, we will need your quiet help. I personally would welcome having the United States at the table." More specifically, he asked that the United States help the Azeris get past the issue of "political face" vis--vis Serdar. He also said he would very much appreciate a model business plan for bi-national exploitation of disputed fields.

JOINT TURKMEN-AZERI HYDROCARBON CONFERENCE

¶9. (C) Muradov confirmed Turkmenistan and Azerbaijan will jointly host in September in Baku an International Oil and Gas Conference.

NEW TWIST ON BURIED HILL IN SERDAR

ASHGABAT 00000666 003 OF 003

¶10. (C) Muradov revealed an interesting detail about the Buried Hill license for Serdar. When he commented Turkmenistan wants to start production soonest in Serdar, the Charge asked if he has full confidence in the ability of Buried Hill to do so. Muradov said, "We see Buried Hill as beneficial to us. Something you don't know about the agreement is that we reserve the right to invite in others when it's time for full-scale production." (COMMENT: This seems to confirm our previous speculation that the Turkmen see Buried Hill as a place holder only for initial exploitation to enhance their claim to Serdar. END COMMENT.)

HOAGLAND